

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 89-623-C - ORDER NO. 90-841
SEPTEMBER 7, 1990

IN RE: Petition of Health Springs) ORDER AUTHORIZING
 Telephone Company for authori-) RATE
 zation of a rate of return.) OF RETURN

On April 12, 1990, Heath Springs Telephone Company (the Petitioner) filed a Petition with the Public Service Commission of South Carolina (the Commission) requesting that the Commission set an authorized rate of return on rate base in the range of 13.5%. The Petitioner is not seeking any adjustments in its basic rates and charges. The Petition was filed pursuant to R.103-830 et seq. of the Commission's Rules of Practice and Procedure and S.C. Code Ann. Section 58-9-10 et seq. (1976), as amended.

By letter dated April 25, 1990, the Commission's Executive Director instructed the Petitioner to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas once a week for two (2) consecutive weeks. The purpose of the Notice of Filing was to inform interested parties of the nature of the Petition and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Thereafter, the Petitioner provided the Commission with proof of

publication of the Notice of Filing. No Petition to Intervene was filed with the Commission.

On August 15, 1990 at 10:30 a.m., a public hearing was commenced in the Commission's Hearing Room, the Honorable Cecil A. Bowers, presiding. M. John Bowen, Jr., Esquire, represented the Petitioner, and H. Clay Carruth, Staff Counsel, represented the Commission Staff.

The Petitioner presented the testimony of Max R. Whitehurst, a Certified Public Accountant, in support of its Petition. Witness Whitehurst sponsored certain accounting exhibits, explained certain adjustments to reflect known and measurable changes, and recommended an appropriate rate of return on rate base. The Commission Staff presented the testimony of Sharon G. Scott of the Commission's Accounting Department as to the rate of return on rate base of the Petitioner.

Based on our consideration of the testimony and exhibits of the witnesses and all elements of the record in this matter, the Commission makes the following findings of fact and conclusions of law:

1. That Heath Springs Telephone Company is a privately owned entity owning and operating equipment and facilities for the transmission of intelligence for hire in South Carolina, and is a "telephone utility" within the meaning of S.C. Code. Ann. Section 58-9-10(6), (1976) whose intrastate operations are subject to the jurisdiction of this Commission.

2. That the Commission did not specify an authorized rate of return on rate base in the Petitioner's last rate proceeding as reflected in Commission Order No. 14,235 issued March 27, 1968 in Docket No. 14,113.

3. That in rate matters dealing with smaller independent telephone companies, which are closely held utilities and whose stock is not traded regularly or publicly, such as the Petitioner, the Commission has found it appropriate to determine a rate of return on investment and not on equity.

4. That the Petitioner's rate of return on rate base after the Commission Staff's pro forma adjustments is 14.13% based on the twelve month period ending December 31, 1988.

5. That in response to a routine compliance audit report issued by the Commission Staff, The Petitioner, on April 12, 1990, filed a Petition with the Commission requesting the Commission to grant it an authorized rate of return on rate base in the range 13.5%.

6. That the Petitioner is requesting that the Commission grant it an authorized rate of return on rate base and is not requesting any adjustment in its rates and charges for its intrastate services.

7. That the Petitioner is currently in the process of constructing a new office building.

8. That the approximate cost of this new facility allocated to telecommunications operations is \$160,000.

9. That the Petitioner bills in arrears for local service, which is a departure from the method used by the majority of telephone utilities, which bill in advance for local service; and, that this method of billing will result in a greater required cash working capital and a corresponding increase in rate base.

10. That in light of the Petitioner's new construction program and the cash working capital impact of the Petitioner's billing procedures, the Commission Staff should be required to review these matters, and their impact on earnings, in the Petitioner's next regularly scheduled compliance audit.

11. That a rate of return on rate base within the range of 12% to 13% will allow the Petitioner to provide adequate, efficient, and reasonable service, to provide a return to the owners of the Petitioner commensurate with returns on investments in other enterprises with corresponding risks, and to allow the owners to maintain the Petitioner's financial integrity.

12. That a rate of return on rate base for the Petitioner within the range of 12% to 13% is fair and reasonable, and will not affect the Petitioner's currently approved rates and charges for intrastate telecommunications services.

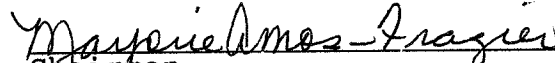
IT IS THEREFORE ORDERED:

1. That Heath Springs Telephone Company be, and hereby is granted the opportunity to earn revenues sufficient to result in a rate of return on rate base within the range of 12% to 13%, such rate of return being authorized hereby.

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2. That this Order shall remain in full force and effect
until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)